

CITY OF ALTOONA

INDEPENDENT AUDITOR'S REPORT
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

June 30, 2009

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CITY OF ALTOONA

OFFICIALS

<u>Name</u>	<u>Title</u> (Before January 2009)	<u>Term Expires</u>
Timothy J. Burget.	Mayor.	Jan 2012
Stacey Warren.	Mayor Pro-Tem	Jan 2010
Gerald Nolin.	Council Member.	Jan 2012
Josiah (Skip) Conkling..	Council Member.	Jan 2012
Michelle Sloan.	Council Member.	Jan 2010
Joe Riding.	Council Member.	Jan 2010
Jeffery Mark.	City Administrator.	Jan 2011
Randy Pierce.	Clerk/Finance Officer.	Jan 2009
Robert Laden.	Attorney..	Jan 2009

(After January 2009)

Timothy J. Burget.	Mayor.	Jan 2012
Josiah (Skip) Conkling..	Mayor Pro-Tem.	Jan 2010
Gerald Nolin.	Council Member.	Jan 2012
Stacey Warren.	Council Member.	Jan 2012
Michelle Sloan.	Council Member.	Jan 2010
Joe Riding.	Council Member.	Jan 2010
Jeffery Mark.	City Administrator.	Jan 2011
Randy Pierce.	Clerk/Finance Officer.	Jan 2010
Robert Laden.	Attorney..	Jan 2010



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CERTIFIED PUBLIC ACCOUNTANTS

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(515)-223-4841

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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Altoona, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Altoona's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the aforementioned financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Altoona as of June 30, 2009, and the respective changes in the cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2009 on our consideration of the City of Altoona's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 5 through 11 and 31 through 32 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Altoona's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2008 (none of which are presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the aforementioned financial statements taken as a whole.

Martens & Company, CPA, LLP

West Des Moines, Iowa
October 28, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Altoona provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 386%, or approximately \$64,872,000 from fiscal 2008 to fiscal 2009. Tax increment financing collections increased approximately \$1,646,900 and bond proceeds increased by \$61,155,000.
- Disbursements of the City's governmental activities increased 145%, or approximately \$37,830,100, from fiscal 2008 to fiscal 2009. Capital projects and debt service increased approximately \$38,023,800 and \$3,374,600 respectively. Community and economic development decreased \$3,192,000.
- The City's total cash basis net assets increased 177% or approximately \$22,959,900 from fiscal 2008 to fiscal 2009. Of this amount, the assets of the governmental activities increased \$18,764,900 and the assets of the business type activities increased \$4,195,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements as well as other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the government's financial activities.

The Government-wide Financial Statements consist of a statement of activities and net assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statements by providing information about the most significant funds.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about nonmajor governmental funds and debt obligations.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property taxes, grants and bond proceeds finance most of these activities.
- Business Type Activities include the waterworks, the sanitary sewer system, and garbage and recycling collection. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. Governmental funds include: 1) the General Fund, 2) the Special Revenue Funds such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund and 4) the Capital Projects Fund. The government fund financial statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

2) Proprietary funds account for the City's Enterprise Funds and for the Internal Service Fund. Enterprise Funds are used to report business-type activities. The City maintains five Enterprise Funds to provide separate information for the water, sewer, garbage and recycling funds, considered to be major funds of the City. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

The required financial statements for proprietary funds include a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

Reconciliation between the government-wide statement and the fund financial statements follow the fund statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities has increased from a year ago, increasing from \$5.832 million to \$24.597 million. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2009	2008
Receipts:		
Program receipts:		
Charges for service and sales	\$ 788	\$ 824
Operating grants, contributions and restricted interest	1,719	1,452
Capital grants, contributions and restricted interest	1,522	1
General receipts:		
Property tax	11,781	9,860
Other City taxes	563	599
Grants and contributions not restricted to specific purposes	914	966
Unrestricted interest on investments	684	493
Bond proceeds	63,510	2,355
Other general receipts	173	232
Total receipts	<u>81,654</u>	<u>16,782</u>
Disbursements:		
Public safety	4,264	4,194
Public works	1,337	1,194
Health and social services	9	-
Culture and recreation	1,990	2,594
Community and economic development	3,649	6,841
General government	737	732
Debt service	7,531	4,156
Capital projects	44,474	6,450
Total disbursements	<u>63,991</u>	<u>26,161</u>
Change in cash basis net assets before transfers	17,663	(9,379)
Transfers, net	<u>1,102</u>	<u>472</u>
Change in cash basis net assets	18,765	(8,907)
Cash basis net assets beginning of year	<u>5,832</u>	<u>14,739</u>
Cash basis net assets end of year	<u>\$ 24,597</u>	<u>\$ 5,832</u>

The City's total receipts for governmental activities increased by 386 percent (\$64.872 million). The total cost of all programs and services increased by approximately \$37.830 million or 144.6 percent due to an increase in disbursements in the capital projects (\$38.024 million). The significant increase in receipts was primarily the result of proceeds received from the issuance of urban renewal tax increment revenue bonds and urban renewal general obligation bonds.

Based on increases in the total assessed valuation, property tax receipts are budgeted to increase by an additional \$160,000 next year or 4.4%.

The cost of all governmental activities this year was \$63.991 million compared to \$26.161 million last year. However, as shown in the statement of activities and net assets - cash basis on page 12, the amount that our taxpayers ultimately financed for these activities through City taxes was only \$59.962 million because some of the cost was paid by those directly benefited from the programs (\$.788 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$3.241 million). Overall, the City's governmental program receipts, including intergovernmental aid and fees for service, increased in 2009 from approximately \$2.018 million to approximately \$4.029 million principally due to an increase in operating grants, capital grants, contributions, and restricted interest. The City paid for the remaining public benefit portion of governmental activities with approximately \$12.344 million in tax (some of which could only be used for certain programs), bond proceeds of \$63.51 million and other receipts, such as interest, and general entitlements.

Business Type Activities

Changes in Cash Basis Net Assets of Business-Type Activities (Expressed in Thousands)		
	Year ended June 30,	
	2009	2008
Receipts:		
Program receipts:		
Charges for service and sales:		
Water	\$ 3,147	\$ 3,099
Sewer	2,816	2,719
Water deposits	21	19
Garbage	465	419
Recycling	139	117
General receipts:		
Unrestricted investment earnings	46	80
Bond proceeds	3,750	1,660
Other general receipts	33	19
Non-operating receipts	-	-
Total receipts	<u>10,417</u>	<u>8,132</u>
Disbursements:		
Water	2,174	3,879
Sewer	2,341	2,813
Garbage	458	433
Water deposits	19	24
Other	128	130
Total disbursements	<u>5,120</u>	<u>7,279</u>
Change in cash basis net assets before transfers	5,297	853
Transfers, net	<u>(1,102)</u>	<u>(472)</u>
Change in cash basis net assets	4,195	381

Cash basis net assets beginning of year	<u>7,122</u>	<u>6,741</u>
Cash basis net assets end of year	<u>\$ 11,317</u>	<u>\$ 7,122</u>

Total business-type activities receipts for the fiscal year were \$10.417 million compared to \$8.132 million last year. This increase was due primarily to the increase in bond proceeds. The cash balance increased by approximately \$4.20 million from the prior year. Total disbursements for the fiscal year decreased by approximately 30 percent to a total of \$5.120 million.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Altoona completed the year, its governmental funds reported a combined fund balance of \$24.556 million, an increase of \$18.728 million above last year's total of \$5.828 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased \$673,778 from the prior year to \$3,160,822. This was because of increased disbursements in public safety and community and economic development functions of \$273,635 and \$421,539, respectively. Receipts decreased in hotel/motel tax, lottery revenue, licenses and permits and interest income by \$35,638, \$44,523, \$72,726 and \$168,516 respectively.
- The Road Use Tax Fund cash balance increased by \$47,867 to \$124,779 during the fiscal year. This increase was attributable to an increase in transfers from the general fund.
- The Tax Increment Financing Fund increased by \$823,103 to \$1,769,827 during the fiscal year. The increase is the result of increased tax increment financing collections.
- The total of Capital Projects Funds increased by \$16,576,597 to \$17,126,932 from the prior year. The increase was primarily due to major capital projects in progress in the Bass Pro Shops area. Some of the bond proceeds received in June were unspent at June 30, 2009.
- The Debt Service Fund cash balance increased by \$1,698,487 to \$1,899,753 during the fiscal year. The 2009B Refunding Bond issue of \$1,745,000 was deposited in June but the refunding took place in July.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance increased by \$4,331,542 to \$7,575,476, due primarily to higher water rate and bond proceeds received just prior to the City's year end.
- The Sewer Fund cash balance decreased by \$158,863 to \$3,446,481, due primarily to a decrease in transfers and an increase in operating disbursements.
- The Water Deposit Fund increased \$2,561 to \$61,906.
- The Garbage Fund increased \$8,885 to \$77,212.
- The Recycling Fund increased \$10,855 to \$14,136. This is due to an increase in recycling fees.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the City Council annually adopts a budget following required public notice and hearings for all funds. Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Over the course of the year, the City amended its operating budget once. The amendment was approved on May 18, 2009 to provide for additional expenditures in certain City departments. The City had sufficient cash balances to absorb these additional costs.

The City's receipts were \$1,305,740 less than budgeted. This was primarily due to the City receiving less in charges for service, intergovernmental, and interest income than anticipated, even after the amendments.

Total disbursements were \$22,429,570 less than the amended budget. This was primarily due to capital project expenditures incurred after June 30, 2009.

DEBT ADMINISTRATION

At June 30, 2009, the City had \$104,590,000 in bonds and other long-term debt compared to \$41,110,000 last year shown as follows:

	Outstanding Debt at Year-End (Expressed in Thousands)	
	June 30	
	2009	2008
General obligation bonds	\$ 38,130	\$ 34,270
Revenue bonds	<u>66,460</u>	<u>6,840</u>
	<u>\$ 104,590</u>	<u>\$ 41,110</u>

The City's general obligation bond rating continues to carry an A2 rating, a rating that has been assigned by national rating agencies to the City's debt since 1997. The Constitution of the State of Iowa limits the amount of general obligation debt that cities can issue to 5 percent of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation and TIF debt of \$38,130,000 plus the portion of developer rebate agreements of \$1,399,858 that are subject to the debt limit are well below the City's \$53.982 million legal debt limit.

Debt increased as a result of issuing general obligation bonds for acquiring land and construction of a soccer complex, the development of a civic plaza, funding a grant to the Altoona Economic Development Corporation related to the Bass Pro Shops project and issuing revenue bonds for constructing street, water, sidewalk, sanitary sewer, storm sewer and site improvements in support of additional commercial development within the urban renewal area.

More detailed information about the City's long-term liabilities is presented in Note 3 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials and citizens considered many factors when setting the 2010 fiscal year budget, tax rates, and fees that will be charged for various City activities. One of those factors is the economy. The City's population growth since the 2000 census stands at 29%. Unemployment in the county now stands at 5.7 percent. This compares with the state unemployment rate of 6.5 percent.

The U.S. Consumer Price Index (CPI) is a measure of the changes in retail prices of a fixed market grouping of consumer goods and services. The CPI-U for July 2008 was 218.78. For the 12 month period that ended in July, 2009 the CPI-U increased 4.90 percent.

These indicators were taken into account when adopting the budget for 2010. Amounts available for appropriation in the budget are \$.2 million, an increase of 4.40 percent over the final 2009 budget. Property tax (benefitting from increases in valuation) and proceeds from the tax increment financing revenue are expected to lead this increase. The City will use these to finance programs currently offered and to defray the costs of carrying out the City's continued economic development. Budgeted disbursements are expected to increase by approximately \$8.0 million. An increase in capital projects represents the largest increase.

If these estimates are realized, the City's budgeted cash balance is expected to decrease by approximately \$3.9 million by the close of fiscal year 2010. Most of this is from projects carried over from the prior year.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Randy Pierce, City Clerk/Finance Officer, 407 8th Street S.E., P.O. Box 338, Altoona, Iowa 50009.

BASIC FINANCIAL STATEMENTS

CITY OF ALTOONA

STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS

As of and for the year ended June 30, 2009

	Program Receipts				Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
	Disbursements	Charges for Service	Operating Grants Contributions and Restricted Interest	Capital Grants and Contributions Restricted Interest	Governmental Activities	Business-type Activities	Total
Functions/Programs:							
Governmental activities:							
Public safety	\$ 4,263,900	\$ 390,847	\$ 378,348	\$ -	\$ (3,494,705)	\$ -	\$ (3,494,705)
Public works	1,336,974	246,052	1,205,175	-	114,253	-	114,253
Health and social services	9,325	-	-	-	(9,325)	-	(9,325)
Culture and recreation	1,989,840	24,154	130,800	-	(1,834,886)	-	(1,834,886)
Community and economic development	3,649,078	9,686	-	-	(3,639,392)	-	(3,639,392)
General government	737,102	113,817	4,796	-	(618,489)	-	(618,489)
Debt service	7,530,701	3,043	-	-	(7,527,658)	-	(7,527,658)
Capital projects	44,474,141	-	-	1,522,138	(42,952,003)	-	(42,952,003)
Total governmental activities	63,991,061	787,599	1,719,119	1,522,138	(59,962,205)	-	(59,962,205)
Business-type activities:							
Water	2,174,465	3,147,187	-	-	-	972,722	972,722
Sewer	2,341,011	2,815,840	-	-	-	474,829	474,829
Garbage	458,377	465,511	-	-	-	7,134	7,134
Water deposits	18,589	21,150	-	-	-	2,561	2,561
Recycling	127,907	138,762	-	-	-	10,855	10,855
Total business-type activities	5,120,349	6,588,450	-	-	-	1,468,101	1,468,101
Total	<u>\$ 69,111,410</u>	<u>\$ 7,376,049</u>	<u>\$ 1,719,119</u>	<u>\$ 1,522,138</u>	<u>(59,962,205)</u>	<u>1,468,101</u>	<u>(58,494,104)</u>
General receipts:							
Property and other city tax levied for:							
General purposes					3,459,028	-	3,459,028
Employee benefits					64,934	-	64,934
Debt service					254,211	-	254,211
Tax increment financing					8,001,868	-	8,001,868
Hotel/motel tax					563,372	-	563,372
Grants and contributions not restricted to specific purpose					914,162	-	914,162
Bond proceeds					63,510,000	3,750,000	67,260,000
Unrestricted interest on investments					684,048	46,153	730,201
Miscellaneous					173,012	33,197	206,209
Transfers					1,102,471	(1,102,471)	-
Total general receipts and transfers					<u>78,727,106</u>	<u>2,726,879</u>	<u>81,453,985</u>
Change in cash basis net assets					18,764,901	4,194,980	22,959,881
Cash basis net assets beginning of year					5,831,979	7,122,036	12,954,015
Cash basis net assets end of year					<u>\$ 24,596,880</u>	<u>\$ 11,317,016</u>	<u>\$ 35,913,896</u>
Cash Basis Net Assets							
Restricted:							
Debt service					\$ 1,899,753	\$ 1,295,149	\$ 3,194,902
Streets					124,779	-	124,779
Urban renewal purposes					1,769,827	-	1,769,827
Other purposes					17,601,113	61,906	17,663,019
Unrestricted					<u>3,201,408</u>	<u>9,959,961</u>	<u>13,161,369</u>
Total cash basis net assets					<u>\$ 24,596,880</u>	<u>\$ 11,317,016</u>	<u>\$ 35,913,896</u>

See notes to financial statements.

CITY OF ALTOONA

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2009

	Special Revenue			Capital Projects				
	General	Road Use Tax	Tax Increment Financing	A-Land/ 1 st Ave	Bass Pro Shop Development	Walmart Reimbursement	Debt Service	Nonmajor
Receipts:								Total
Property taxes	\$3,459,028	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 254,211	\$ 64,934
Tax increment financing	-	-	8,001,868	-	-	-	-	-
Other city tax								
Hotel/motel	563,372	-	-	-	-	-	-	-
Lottery revenue	914,162	-	-	-	-	-	-	-
Licenses and permits	246,052	-	-	-	-	-	-	-
Uses of money and property	324,659	-	-	-	353,315	-	-	6,074
Intergovernmental	268,226	1,103,581	-	-	-	-	-	1,594,375
Charges for service	538,504	-	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-	3,043	-
Miscellaneous	146,773	-	-	-	-	-	-	26,313
Total receipts	6,460,776	1,103,581	8,001,868	-	353,315	-	257,254	1,691,696
Disbursements:								
Operating:								
Public safety	4,031,738	-	-	-	-	-	-	127,798
Public works	-	1,230,714	-	-	-	-	-	-
Health and social services	9,325	-	-	-	-	-	-	-
Culture and recreation	1,962,169	-	-	-	-	-	-	-
Community and economic development	631,287	-	3,017,791	-	-	-	-	-
General government	737,102	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	7,530,701	-
Capital projects	200,000	75,000	-	472,339	41,980,516	58,245	-	1,688,041
Total disbursements	7,571,621	1,305,714	3,017,791	472,339	41,980,516	58,245	7,530,701	1,815,839
Excess (deficiency) of receipts over (under) disbursements	(1,110,845)	(202,133)	4,984,077	(472,339)	(41,627,201)	(58,245)	(7,273,447)	(124,143)
Other financing sources (uses)								
Bond proceeds	-	-	-	2,700,000	56,470,000	2,595,000	1,745,000	-
Operating transfers in	697,344	250,000	-	-	-	-	7,226,934	425,799
Operating transfers (out)	(260,277)	-	(4,160,974)	-	(3,029,010)	-	-	(47,344)
Total other financing sources (uses)	437,067	250,000	(4,160,974)	2,700,000	53,440,990	2,595,000	8,971,934	378,455
Net change in cash balances	(673,778)	47,867	823,103	2,227,661	11,813,789	2,536,755	1,698,487	254,312
Cash balances beginning of year	3,834,600	76,912	946,724	528,969	9,237	-	201,266	230,390
Cash balances end of year	\$3,160,822	\$ 124,779	\$ 1,769,827	\$ 2,756,630	\$ 11,823,026	\$ 2,536,755	\$ 1,899,753	\$ 484,702

CITY OF ALTOONA

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2009

	General	Special Revenue		Capital Projects			Debt Service	Nonmajor	Total
		Road Use Tax	Tax Increment Financing	A-Land/1 st Ave	Bass Pro Shop Development	Walmart Reimbursement			
Cash Basis Fund Balances									
Reserved:									
Debt service	\$ -	\$ -	\$ -	\$ -	\$ 4,374,400	\$ -	\$ 1,899,753	\$ -	\$ 6,274,153
Unreserved:									
General fund	3,160,822	-	-	-	-	-	-	-	3,160,822
Special revenue funds	-	124,799	1,769,827	-	-	-	-	474,181	2,368,787
Capital projects funds	-	-	-	2,756,630	7,448,626	2,536,755	-	10,521	12,752,532
Total cash basis fund balances	\$ 3,160,822	\$ 124,799	\$ 1,769,827	\$ 2,756,630	\$ 11,823,026	\$ 2,536,755	\$ 1,899,753	\$ 484,702	\$ 24,556,294

See notes to financial statements.

CITY OF ALTOONA

RECONCILIATION OF THE STATEMENT OF CASH
RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
TO THE STATEMENT OF ACTIVITIES AND NET ASSETS -
Governmental Funds

As of and for the year ended June 30, 2009

Total governmental funds cash balances (page 13) \$ 24,556,294

*Amounts reported for governmental activities in the Statement of Activities
and Net Assets are different because:*

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's equipment purchases to individual funds. A portion of the assets of the Internal Service Fund are included in governmental activities in the Statement of Net Assets.

40,586

Cash basis net assets of governmental activities (page 12) \$ 24,596,880

Net change in cash balances (page 13) \$ 18,728,196

*Amounts reported for governmental activities in the Statement of Activities
and Net Assets are different because:*

The Internal Service Fund is used by management to charge the costs of equipment purchases to individual funds. A portion of the change in net assets of the Internal Service Fund is reported with governmental activities.

36,705

Change in cash balance of governmental activities (page 12) \$ 18,764,901

See notes to financial statements.

CITY OF ALTOONA

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
Proprietary Funds

As of and for the year ended June 30, 2009

	Enterprise Funds					Internal Service Fund
	Water	Sewer	Water Deposits	Garbage	Recycling	Equipment Replacement
Operating receipts:						
Charges for service	\$3,147,187	\$2,815,840	\$ 21,150	\$ 465,511	\$138,762	\$ -
Total operating receipts	3,147,187	2,815,840	21,150	465,511	138,762	-
Operating disbursements:						
Governmental activities:						
Public safety	-	-	-	-	-	104,364
Public works	-	-	-	-	-	106,260
Culture and recreation	-	-	-	-	-	27,671
Business-type activities:	1,368,974	1,763,720	18,589	458,377	127,907	-
Total operating disbursements	1,368,974	1,763,720	18,589	458,377	127,907	238,295
Excess of operating receipts over operating disbursements	1,778,213	1,052,120	(18,589)	7,134	10,855	(238,295)
Non-operating receipts (disbursements):						
Bond proceeds	3,750,000	-	-	-	-	-
Interest on investments	26,947	19,206	-	-	-	-
Miscellaneous	30,770	676	-	1,751	-	275,000
Debt service	(696,679)	(234,465)	-	-	-	-
Capital projects	(108,812)	(342,826)	-	-	-	-
Net non-operating receipts (disbursements)	3,002,226	(557,409)	-	1,751	-	275,000
Excess of receipts over disbursements	4,780,439	494,711	2,561	8,885	10,855	36,705
Transfers:						
Operating transfers in	-	-	-	-	-	-
Operating transfers (out)	(448,897)	(653,574)	-	-	-	-
Net transfers	(448,897)	(653,574)	-	-	-	-
Net change in cash balances	4,331,542	(158,863)	2,561	8,885	10,855	36,705
Cash balances beginning of year	3,243,934	3,605,344	59,345	68,327	3,281	145,686
Cash balances end of year	\$7,575,476	\$3,446,481	\$ 61,906	\$ 77,212	\$ 14,136	\$ 182,391

CITY OF ALTOONA

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES - CONTINUED
Proprietary Funds

As of and for the year ended June 30, 2009

	Enterprise Funds					Internal Service Fund Equipment Replacement
	Water	Sewer	Water Deposits	Garbage	Recycling	Total
Cash Basis Fund Balances						
Reserved for debt service	\$ 767,688	\$ 527,461	\$ -	\$ -	\$ -	\$ 1,295,149
Unreserved	6,807,788	2,919,020	61,906	77,212	14,136	9,880,062
Total cash basis fund balances	<u>\$ 7,575,476</u>	<u>\$ 3,446,481</u>	<u>\$ 61,906</u>	<u>\$ 77,212</u>	<u>\$ 14,136</u>	<u>\$11,175,211</u>
						<u>\$ 182,391</u>

See notes to financial statements.

CITY OF ALTOONA

**RECONCILIATION OF THE STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
TO THE STATEMENT OF ACTIVITIES AND NET ASSETS -
*Proprietary Funds***

As of and for the year ended June 30, 2009

Total enterprise funds cash balances (page 16) \$ 11,175,211

***Amounts reported for business type activities in the Statement of
Activities and Net Assets are different because:***

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's equipment purchases to individual funds. A portion of the assets of the Internal Service Fund are included in business type activities in the Statement of Net Assets.

141,805

Cash basis net assets of business type activities (page 12)

\$ 11,317,016

Net change in cash balances (page 16)

\$ 4,194,980

Amounts reported for business type activities in the Statement of Activities and Net Assets are different because:

The Internal Service Fund is used by management to charge the costs of partial self funding of the equipment purchases to individual funds. A portion of the change in net assets of the Internal Service Fund is reported with business type activities.

-

Change in cash balance of business type activities (page 12)

\$ 4,194,980

See notes to financial statements.

CITY OF ALTOONA

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Altoona is a political subdivision of the State of Iowa located in Polk County. It was first incorporated in 1876 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water, sewer, garbage and recycling utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Altoona has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations and 28E Agreements

The City also participates in several 28E and jointly governed organizations that provide goods or services to the citizenry of the City but do not meet criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of 28E organizations and of the following boards and commissions; The Safety Coalition of Central Iowa Communities, Polk County Aviation Authority, Intergovernmental Metro Design Policy, HAZ-MAT Services, Sec Taylor Stadium, WRA Metropolitan Solid Waste Agreement, building inspection for the Cities of Mitchellville, Iowa and Bondurant, Iowa, Urban Standard Specifications, SEP School district, Snow Removal for various locations, Road surfacing at various locations, Convention and Visitors Bureau, Des Moines Water Works, Fair Play Agreement, Iowa Tobacco Enforcement Compliance, WRA Facility Plan, Homeland Security Services, Iowa DOT, BRAVO, Polk County MTA, Metro Area Fire Mutual Aid, Metro Home Improvement Program, Suburban Emergency Response Team, Urban Design Standards, Sanitary Sewer Capacity, Central Iowa Traffic Safety Task Force, Polk County Emergency Management Commission and Polk County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of the interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

CITY OF ALTOONA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2009

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

B. Basis of Presentation - Continued

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those that are clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions, and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

CITY OF ALTOONA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2009

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

B. Basis of Presentation - Continued

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities with the exception of those that are financed through enterprise funds.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Water Deposits Fund accounts for water utility deposits by residents.

The Garbage Fund accounts for the operation and maintenance of the City's residential garbage collection system.

The Recycling Fund accounts for the operation and maintenance of the City's residential garbage and yard waste recycling system.

The City also reports the following additional proprietary fund:

The equipment replacement fund is an Internal Service Fund utilized to account for the financing of goods or services purchased by one department of the City and provided to other departments or agencies on a cost reimbursement basis.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

CITY OF ALTOONA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2009

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Measurement Focus and Basis of Accounting - Continued

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

Proprietary Funds: Enterprise funds apply all applicable GASB pronouncements as well as Financial Accounting Standards Board Statements and Interpretations, Accounting Principle Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 which do not conflict with or contradict GASB pronouncements and which apply to the comprehensive basis of accounting used.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, all functions were within the budget guidelines.

E. Property Taxes

All City property taxes must be certified to the Polk County Auditor on or before the fifteenth day of March of each year for the upcoming fiscal year which runs from July 1 to June 30. Property taxes are levied in June and attached as an enforceable lien on the property on July 1.

Property taxes levied for the year ending June 30, 2009, attached as an enforceable lien on July 1, 2008, with the first half installment being delinquent after September 30, 2008 and the second half installment being delinquent after March 31, 2009.

(2) CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

CITY OF ALTOONA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2009

(2) CASH AND POOLED INVESTMENTS - CONTINUED

At June 30, 2009, the City had the following investments:

Type	Carrying Amount	Fair Value	Maturity
U.S. Treasury bill	\$ 6,999,673	\$ 6,999,673	July 23, 2009
U.S. Treasury bill	4,997,946	4,997,946	Sept 24, 2009
Total	<u>\$11,997,619</u>	<u>\$11,997,619</u>	

The City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$1,062,119 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit Risk - The City's investment in the Iowa Public Agency Investment Trust is unrated.

(3) LONG-TERM DEBT

The following is a summary of the changes in the outstanding bonds payable of the City for the year ended June 30, 2009:

	Balance June 30, 2008	Issued	Redeemed	Balance June 30, 2009
General obligations bonds	\$ 34,270,000	\$ 7,040,000	\$ 3,180,000	\$ 38,130,000
Revenue bonds	6,840,000	60,220,000	600,000	66,460,000
Total	<u>\$ 41,110,000</u>	<u>\$ 67,260,000</u>	<u>\$ 3,780,000</u>	<u>\$104,590,000</u>

Interest rates range from 1.25% to 6.50% on the general obligation bonds. The revenue bond interest rates are from 2.70% to 6.45. The City paid \$4,617,588 interest on debt obligations for the year ended June 30, 2009.

Debt service requirements for general obligation bonds and revenue bonds are as follows:

Year Ending June 30,	General Bonds		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 3,305,000	\$ 1,651,695	\$ 710,000	\$ 3,722,409	\$ 4,015,000	\$ 5,374,104
2011	4,150,000	1,504,310	735,000	3,711,241	4,885,000	5,215,551
2012	3,415,000	1,361,740	1,230,000	3,689,643	4,645,000	5,051,383
2013	2,360,000	1,261,797	1,050,000	3,650,048	3,410,000	4,911,845
2014	2,600,000	1,166,431	1,570,000	3,605,508	4,170,000	4,771,939
2015-2019	14,370,000	3,718,389	6,150,000	17,004,490	20,520,000	20,722,879
2020-2024	6,335,000	2,056,896	4,540,000	15,880,135	10,875,000	17,937,031
2025-2029	1,595,000	261,640	8,195,000	14,150,465	9,790,000	14,412,105
2030-2034	-	-	12,540,000	11,633,200	12,540,000	11,633,200
2035-2039	-	-	14,590,000	8,922,000	14,590,000	8,922,000
2040-2043	-	-	15,150,000	3,636,000	15,150,000	3,636,000
	<u>\$38,130,000</u>	<u>\$12,982,898</u>	<u>\$66,460,000</u>	<u>\$ 89,605,139</u>	<u>\$104,590,000</u>	<u>\$102,588,037</u>

CITY OF ALTOONA
NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2009

(3) LONG-TERM DEBT- CONTINUED

The resolutions providing for the issuance of the water revenue bonds include the following provisions:

- A. The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the fund.
- B. The City covenants to establish and maintain a Water Revenue Bond Sinking Fund in an amount equal to the maximum principal and interest coming due on all outstanding parity bonds in any succeeding fiscal year.
- C. The City covenants to establish a Water Revenue Debt Service Reserve Fund in an amount equal to the maximum principal and interest due on any one year. The amount required to be reserved is approximately \$936,588 at June 30, 2009. The actual amount reserved was \$736,314.
- D. The City covenants to maintain a Water Revenue Bond Improvement Fund with an initial deposit of \$40,000. Additional funds of not less than \$750 each month will be deposited until the Fund equals or exceeds \$50,000. This account is restricted solely for the use of paying principal or interest on the Water Revenue Bonds when there is insufficient money in the Sinking Fund or Reserve Fund, and to the extent not required for the foregoing, to pay for extraordinary costs not included in the annual budget.

The resolutions providing for the issuance of the sewer revenue bonds include the following provisions:

- A. The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the fund.
- B. The City covenants to establish and maintain a Sewer Revenue Bond Sinking Fund in an amount equal to the maximum amount of principal and interest coming due on all outstanding parity bonds in any succeeding fiscal year.
- C. The City covenants to establish a Sewer Revenue Debt Service Reserve Fund. The reserve is to be partially funded from bond proceeds in an amount not to exceed 10% of the bond purchase price and funds on hand. The balance in the Reserve Fund shall equal the lesser of the maximum debt service or ten percent of the net bond proceeds on outstanding bonds and the required reserve is approximated at \$235,000. The actual amount reserved was \$521,788.

The resolutions providing for the issuance of the Series 2008 Annual Appropriation Urban Renewal Tax Increment Revenue Bonds include the following provisions. If appropriated by the City, TIF revenues in the Urban Renewal Tax Revenue Fund shall be transferred for deposit in the Bond Fund and the Reserve Fund.

- A. Any funds deposited in the Bond Fund (when appropriated by the City Council) shall be used solely and only and are pledged to pay the principal and interest on the Series 2008 Bonds when due, whether at maturity or an optional or mandatory redemption.

CITY OF ALTOONA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2009

(3) LONG-TERM DEBT- CONTINUED

- B. Reserve Fund. The Resolution establishes a separate and special fund known as the Principal and Interest Reserve Fund (the "Reserve Fund"). There shall be deposited into the Reserve Fund on the date of delivery of the Series 2008 Bonds an amount which, together with the existing balance in the Reserve Fund, will be equal to the lesser of (i) the maximum amount of principal of and interest on the Series 2008 Bonds due during any fiscal year, (ii) 125% of the average annual debt service on the Series 2008 Bonds (calculated on a fiscal year basis), or (iii) 10% of the original principal amount of the Series 2008 Bonds (the "Required Reserve Fund Balance"). Subject to the City's right of nonappropriation, the City shall maintain the Reserve Fund in an amount equal to the Required Reserve Fund Balance. Any funds on deposit in the Reserve Fund shall be used solely and only and are pledged to pay principal of or interest on the Series 2008 Bonds when due (in the case of the Series 2008 Bonds, to the extent that the City has appropriated amounts for such payments) whenever there is a shortage of amounts on deposit in the Urban Renewal Revenue Fund and, in the case of the Series 2008 Bonds, the Bond Fund for such purpose. The Reserve Fund shall be valued annually by the City on October 31. If a shortage occurs in the amount on deposit in the Reserve Fund, either because of a transfer therefrom or a valuation thereof, subject to the City's right of nonappropriation the amount on deposit in the Reserve Fund shall be restored to the Required Reserve Fund Balance as soon as possible from amounts appropriated therefor by the City.

Development Rebate Agreements

The City has entered into a number of TIF rebate agreements requiring repayment to the developers from TIF receipts. The rebate service requirements, if appropriated by the City, are as follows:

Year ending <u>June 30</u>	
2010	\$ 1,067,760
2011	1,062,478
2012	1,210,886
2013	1,908,936
2014	1,136,791
2015-2019	3,959,609
2020-2023	<u>1,532,326</u>
	<u>\$ 11,878,786</u>

(4) JOINT VENTURE AND COMMITMENTS

The City is a participating community in the Des Moines Metropolitan Wastewater Reclamation Authority (WRA) joint venture. This joint venture provides primary and secondary treatment of sewer flows for the participating communities. The Amended and Restated Agreement for the Des Moines Metropolitan Wastewater Reclamation Authority (WRA) was effective on July 1, 2004. This agreement amended and restated the previous Integrated Community Area (I.C.A.) Agreement to provide continued operation, improvements and expansion. The WRA Agreement establishes the WRA as a separate legal entity with its own Board, creates an independent governance structure, establishes an independent bonding authority for the WRA and provides a framework for additional communities to participate.

CITY OF ALTOONA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2009

(4) JOINT VENTURE AND COMMITMENTS - CONTINUED

Annually, the WRA establishes an allocation to all participating communities based on operations, maintenance, debt service and reserve requirements. Allocations are based on wastewater reclamation facility flows and are adjusted prospectively for differences in budgeted flows and actual flows.

As part of the Agreement, the WRA issued debt to advance refund the sewer revenue refunding bonds Series 1997C and 2002D and the state revolving loans SRF2 and SRF3 of the City of Des Moines. In addition, state revolving loans SRF4, SRF6 and SRF7 were reassigned from the City of Des Moines to the WRA.

The City of Altoona retains an ongoing financial responsibility to the WRA since it is obligated in some manner for the debts of the joint venture through the annual allocation. Although the debt of the WRA is to be paid solely and only from WRA revenues, the participating communities in the joint venture cannot withdraw from the joint venture while any of the bonds issued during the time the communities were a participating community are still outstanding. The WRA Sewer Revenue Bonds Series 2004A, 2004B, 2006 and the 2008 and 2009 State Revolving Loan Funds include provisions that place the WRA debt service requirements on the same parity and rank as other debts of the participating communities.

The WRA Agreement requires the debt service on the Series 2004A bonds to be allocated using the annual flow allocation to the participating communities based on the existing allocations of debt service under the prior I.C.A. agreement. The Series 2004A bonds had a balance of \$9,665,000 as of June 30, 2009. The City of Altoona has a commitment for approximately \$-0-, or -0-%, for future principal payment requirements on that debt. The WRA Sewer Revenue Bonds Series 2004B, 2006 bonds and the 2008 state revolving loans were issued for capital expansion. The WRA Agreement requires the debt service on these bonds to be allocated to the participating communities based on the WRA flows of the core communities and expansion communities of each calendar year. As of June 30, 2009, the Series 2004B bonds had a balance of \$63,580,000 and the City of Altoona's estimated future allocation based on the WRA flows is currently \$3,735,337, or 5.87%. As of June 30, 2009, the Series 2006 bonds had a balance of \$37,325,000 and the City of Altoona's estimated future allocation based on the WRA Flows is currently \$2,312,209 or 6.19%. As of June 30, 2009 the 2008 and 2009 state revolving loans had a balance of \$32,967,198 and the City of Altoona's estimated future allocation based on the WRA flows is currently \$2,217,811 or 5.84%. The pre 2004 state revolving loans are to be paid by the participating communities based on the existing allocations under the prior I.C.A. agreement. As of June 30, 2009 the WRA had \$9,692,000 in outstanding pre 2004 State Revolving Loans, of which \$-0- of future principal debt service is a commitment of the City of Altoona.

The WRA Agreement does not provide for the determination of an equity interest for the participating communities. Withdrawing from the joint venture is a forfeit of all reversionary interest and no compensation will be paid. Pursuant to the new agreement, the City's investment in the joint venture under the I.C.A. Agreement has been contributed to the new WRA organization. The City retains a reversionary interest percentage in the net assets of the WRA redeemable only in the event the WRA is dissolved. During the year ended June 30, 2009, the City paid the WRA \$923,820 for operations, maintenance, equipment replacements and debt service payments.

The WRA issues separate financial statements that may be obtained at 3000 Vandalia Road, Des Moines, Iowa 50317-1346.

CITY OF ALTOONA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2009

(5) PENSION AND RETIREMENT BENEFITS

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 4.10% of their annual covered salary and the City is required to contribute 6.35% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$339,867, \$306,178 and \$281,837, respectively, equal to the required contributions for each year.

(6) OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The City implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions* during the year ended June 30, 2009.

Plan Description - The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 81 active and 4 retired members in the plan.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$481 for single coverage and \$1,298 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2009, the City contributed \$828,266 and plan members eligible for benefits contributed \$77,035 to the plan.

(7) COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation and compensation hours for subsequent use or for payment upon termination, retirement, or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for these earned vacation and sick leave termination payments payable to employees at June 30, 2009, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 327,844
Sick leave	808,477
Total	<u>\$1,136,321</u>

This liability has been computed based on rates of pay as of June 30, 2009.

CITY OF ALTOONA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2009

(8) INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

Transfer to	Transfer from	Amount
General Fund	Enterprise:	
	Water Fund	\$ 260,000
	Sewer Fund	390,000
	Special Revenue:	
	Drug Enforcement Agency	47,344
Debt Service Fund	General Fund	10,278
	Special Revenue:	
	Tax Increment Financing	3,735,175
	Enterprise:	
	Water Fund	188,897
	Sewer Fund	263,574
	Capital Projects	3,029,010
Special Revenue Road Use Fund	General Fund	250,000
Capital Projects	Special Revenue:	
	Tax Increment Financing	<u>425,799</u>
Total		<u>\$ 8,600,077</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(9) RISK MANAGEMENT

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 577 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

CITY OF ALTOONA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2009

(9) RISK MANAGEMENT - CONTINUED

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 200 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2009 were \$178,569.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured by The Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2009, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from other insurers for coverage associated with workers' compensation. The City assumes liability for any deductibles, and claims in excess of coverage limitations. The City's payment is recorded as disbursements from its operating funds at the time of payment. The City's payment for the year ended June 30, 2009 was \$205,704. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

CITY OF ALTOONA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2009

(10) DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan as allowed by Internal Revenue Code Section 457. The plan allows City employees to defer a portion of their current salary until future years. These funds are held in trust for participating employees by a third party investor.

(11) CONSTRUCTION CONTRACTS

At June 30, 2009, the City had entered into construction contracts of approximately \$14,468,794 for various projects. At June 30, 2009 these projects will require future payments of approximately \$8,449,859 upon completion.

(12) IOWA EVENTS CENTER

The City agreed to commit City funding for the financing of the construction of the Iowa Events Center Project located on and around the area adjacent to Veteran's Memorial Auditorium in Des Moines.

The City provided a grant of \$291,774, to be used by the county for the project. The City grant is made to assist the county in project financing. The project is determined to benefit the residents of the City and the county.

The first grant installment was disbursed by the City September 16, 2004 in the amount of \$36,471.75. Identical amounts are to be paid through fiscal year 2012.

(13) REVENUE RESERVE BALANCES

Revenue reserve balances are not available for general operating use. They are included with their respective water or sewer cash balances on Exhibit D. Cash balances at end of year are summarized as follows:

	Water	Sewer	Water Deposits	Garbage	Recycling	Total
General operation	\$6,807,787	\$2,919,020	\$61,906	\$ 77,212	\$ 14,136	\$ 9,880,061
Sinking fund	31,375	5,673	-	-	-	37,048
Revenue reserve fund	736,314	521,788	-	-	-	1,258,102
	<u>\$7,575,476</u>	<u>\$3,446,481</u>	<u>\$61,906</u>	<u>\$ 77,212</u>	<u>\$ 14,136</u>	<u>\$11,175,211</u>

(14) SUBSEQUENT EVENTS

On August 17, 2009, the City of Altoona issued \$5,400,000 General Obligation Urban Renewal Corporate Purpose Bonds, Series 2009D with coupon rates of 2.50% to 4.50%. The Bonds are being issued to provide funds to pay costs of undertaking projects in the Altoona Urban Renewal Area consisting of construction of a soccer complex and funding an economic development grant to the Altoona Economic Development Corporation related to acquisition of property for the BassPro Shops project. The Bonds are general obligations of the City, for which the City will pledge to levy ad valorem taxes against all property within the City without limitation as to rate or amount.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ALTOONA

**BUDGETARY COMPARISON SCHEDULE
OF RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES -
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS**

REQUIRED SUPPLEMENTARY INFORMATION

Year ended June 30, 2009

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to Be Budgeted	Total	Budgeted Amounts		Final to Total Variance- Positive (Negative)
					Original	Final	
Receipts:							
Property tax	\$ 3,778,173	\$ -	\$ -	\$ 3,778,173	\$ 3,693,990	\$ 3,693,990	\$ 84,183
Tax increment financing collections	8,001,868	-	-	8,001,868	7,706,924	7,706,924	294,944
Other city tax	563,372	-	-	563,372	579,089	1,004,089	(440,717)
Licenses and permits	246,052	-	-	246,052	478,000	478,000	(231,948)
Uses of money and property	684,048	46,153	-	730,201	576,200	1,076,200	(345,999)
Intergovernmental	2,966,182	-	-	2,966,182	1,318,999	3,491,999	(525,817)
Charges for service	538,504	6,588,450	-	7,126,954	6,788,228	6,848,228	278,726
Special assessments	3,043	-	-	3,043	-	-	3,043
Miscellaneous	1,087,248	308,197	275,000	1,120,445	942,600	1,542,600	(422,155)
Total receipts	17,868,490	6,942,800	275,000	24,536,290	22,084,030	25,842,030	(1,305,740)
Disbursements:							
Public safety	4,159,536	104,364	104,364	4,159,536	4,228,930	4,292,930	133,394
Public works	1,230,714	106,260	106,260	1,230,714	1,309,269	1,372,269	141,555
Health and social services	9,325	-	-	9,325	-	15,000	5,675
Culture and recreation	1,962,169	27,671	27,671	1,962,169	2,085,379	2,231,879	269,710
Community and economic development	3,649,078	-	-	3,649,078	4,250,714	4,990,714	1,341,636
General government	737,102	-	-	737,102	821,147	826,147	89,045
Debt service	7,530,701	-	-	7,530,701	4,784,889	7,613,204	82,503
Capital projects	44,474,141	-	-	44,474,141	13,752,770	64,052,770	19,578,629
Business-type	-	5,120,349	-	5,120,349	5,560,772	5,907,772	787,423
Total disbursements	63,752,766	5,358,644	238,295	68,873,115	36,793,870	91,302,685	22,429,570
Excess (deficiency) of receipts over disbursements	(45,884,276)	1,584,156	36,705	(44,336,825)	(14,709,840)	(65,460,655)	21,123,830
Other financing sources							
Bond proceeds	63,510,000	3,750,000	-	67,260,000	19,019,360	71,393,760	(4,133,760)
Other	1,102,472	(1,102,472)	-	-	(6,019,360)	(10,393,760)	10,393,760
Total other financing sources	64,612,472	2,647,528	-	67,260,000	13,000,000	61,000,000	6,260,000
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	18,728,196	4,231,684	36,705	22,923,175	(1,709,840)	(4,460,655)	27,383,830
Balances beginning of year	5,828,098	7,125,917	145,686	12,808,329	15,430,867	15,430,867	(2,622,538)
Balances end of year	<u>\$ 24,556,294</u>	<u>\$11,357,601</u>	<u>\$ 182,391</u>	<u>\$ 35,731,504</u>	<u>\$13,721,027</u>	<u>\$10,970,212</u>	<u>\$ 24,761,292</u>

See accompanying independent auditor's report.

CITY OF ALTOONA

REQUIRED SUPPLEMENTARY INFORMATION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING

June 30, 2009

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds and internal service funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business-type activities. Function disbursements required to be budgeted include disbursements for the general fund, special revenue funds, debt service fund, capital project funds and proprietary funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. During the year, a budget amendment increased budgeted disbursements by \$10,603,000. This budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2009, no disbursements exceeded the amounts budgeted.

OTHER SUPPLEMENTARY INFORMATION

CITY OF ALTOONA

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
NONMAJOR GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2009

	Special Revenue		Capital Projects			
	Employee	Drug		NE		
	Benefits	Enforcement	Rail	Rise	Other	Total
		Agency	Spur	Project		
Receipts:						
Property tax	\$ 64,934	\$ -	\$ -	\$ -	\$ -	\$ 64,934
Uses of money and property:						
Interest on investments	-	6,000	-	-	74	6,074
Intergovernmental	-	347,311	313,772	933,292	-	1,594,375
Miscellaneous	-	12,817	-	-	13,496	26,313
Total receipts	64,934	366,128	313,772	933,292	13,570	1,691,696
Disbursements:						
Operating:						
Public safety	64,934	62,864	-	-	-	127,798
Capital projects	-	-	349,906	1,324,202	13,933	1,688,041
Total disbursements	64,934	62,864	349,906	1,324,202	13,933	1,815,839
Excess (deficiency) of receipts over (under) disbursements	-	303,264	(36,134)	(390,910)	(363)	(124,143)
Other financing sources (uses):						
Operating transfers in	-	-	36,134	389,665	-	425,799
Operating transfers out	-	(47,344)	-	-	-	(47,344)
Total other financing sources (uses)	-	(47,344)	36,134	389,665	-	378,455
Net change in cash balances	-	255,920	-	(1,245)	(363)	254,312
Cash balances beginning of year	-	218,261	-	1,245	10,884	230,390
Cash balances end of year	\$ -	\$ 474,181	\$ -	\$ -	\$ 10,521	\$ 484,702
Cash Basis Fund Balances						
Unreserved:						
Special revenue funds	\$ -	\$ 474,181	\$ -	\$ -	\$ -	\$ 474,181
Capital project funds	-	-	-	-	10,521	10,521
Total cash basis fund balances	\$ -	\$ 474,181	\$ -	\$ -	\$ 10,521	\$ 484,702

See accompanying independent auditor’s report.

CITY OF ALTOONA

SCHEDULE OF INDEBTEDNESS

Year ended June 30, 2009

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
General obligation bonds:									
Corporate Purpose Series 2000	Oct. 1, 2000	4.70 - 4.75%	2,800,000	\$ 915,000	\$ -	\$ 290,000	\$ 625,000	\$ 43,020	\$ -
Urban Renewal Series 2001	Apr. 1, 2001	4.00 - 4.10	4,700,000	1,620,000	-	515,000	1,105,000	65,108	-
Corporate Purpose Series 2003A	Oct. 20, 2003	3.00 - 4.625	3,940,000	2,980,000	-	145,000	2,835,000	118,574	-
Urban Renewal/Corporate Purpose Series 2004C	Sept. 1, 2004	3.25 - 4.20	5,695,000	5,045,000	-	365,000	4,680,000	189,078	-
Refunding Notes, Series 2005	Feb. 15, 2005	2.80 - 3.75	2,715,000	2,235,000	-	245,000	1,990,000	72,640	-
Urban Renewal/Corporate Purpose Series 2005 B	Dec. 15, 2005	3.45 - 3.95	6,265,000	5,965,000	-	395,000	5,570,000	220,678	-
Refunding Bonds Series 2006A	Mar. 29, 2006	3.60 - 3.70	2,200,000	1,370,000	-	450,000	920,000	49,453	-
Urban Renewal/Corporate Purpose Series 2006B	Jun. 1, 2006	4.00 - 4.375	7,145,000	6,460,000	-	380,000	6,080,000	270,938	-
Urban Renewal/Corporate Purpose Series 2008A	May 1, 2008	3.60 - 3.95	5,600,000	5,325,000	-	285,000	5,040,000	199,980	-
Urban Renewal/Corporate Purpose Series 2007B	Oct. 1, 2007	3.50 - 4.00	2,355,000	2,355,000	-	110,000	2,245,000	88,735	-
Urban Renewal/Corporate Purpose Taxable Series 2009A (BAB)	Jun. 9, 2009	2.25 - 6.50	5,295,000	-	5,295,000	-	5,295,000	-	-
Urban Renewal/Refunding Taxable Series 2009B	Jun. 9, 2009	1.25 - 1.30	1,745,000	-	1,745,000	-	1,745,000	-	-
				34,270,000	7,040,000	3,180,000	38,130,000	1,318,204	-
Revenue bonds:									
Sewer	Feb. 1, 2002	4.00 - 4.20	1,730,000	845,000	-	200,000	645,000	34,465	-
Water Refunding Series 2004	Mar. 3, 2004	3.00 - 3.15	955,000	365,000	-	125,000	240,000	10,748	-
Water Series 2004B	Sept. 1, 2004	4.00 - 4.70	4,280,000	3,970,000	-	140,000	3,830,000	170,010	-
Water Refunding Series 2008	Apr. 28, 2008	3.00 - 3.80	1,660,000	1,660,000	-	135,000	1,525,000	55,151	-
Water Taxable Series 2009C (BAB)	Jun. 17, 2009	2.25 - 6.45	3,750,000	-	3,750,000	-	3,750,000	-	-
Urban Renewal Tax Increment Series 2008	Jul. 1, 2008	4.375 - 6.00	56,470,000	-	56,470,000	-	56,470,000	3,029,010	-
				6,840,000	60,220,000	600,000	66,460,000	3,299,384	-
Total				\$41,110,000	\$67,260,000	\$3,780,000	\$104,590,000	\$4,617,588	\$ -

See accompanying independent auditor's report.

CITY OF ALTOONA

BOND MATURITIES

June 30, 2009

General Obligation Bonds

Year Ending June 30,	Corporate Purpose Series 2000		Urban Renewal Corporate Purpose Series 2001		Corporate Purpose Series 2003A		Urban Renewal Corporate Purpose Series 2004C		Refunding Notes Series 2005		Urban Renewal Corporate Purpose Series 2005B		Refunding Bonds Series 2006A		Urban Renewal Corporate Purpose Series 2006B	
	Issued October 1, 2000		Issued April 1, 2001		Issued October 20, 2003		Issued September 1, 2004		Issued February 15, 2005		Issued December 15, 2005		Issued March 29, 2006		Issued June 1, 2006	
	Interest		Interest		Interest		Interest		Interest		Interest		Interest		Interest	
	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount
2010	4.70%	\$ 305,000	4.00%	\$ 540,000	3.00%	\$ 150,000	3.25%	\$ 380,000	2.80%	\$ 265,000	3.45%	\$ 410,000	3.60%	\$ 450,000	4.00%	\$ 395,000
2011	4.75	320,000	4.10	565,000	3.25	155,000	3.30	395,000	3.00	260,000	3.50	425,000	3.65	225,000	4.00	415,000
2012	-	-	-	-	3.50	160,000	3.50	410,000	3.20	285,000	3.55	445,000	3.70	245,000	4.00	430,000
2013	-	-	-	-	3.50	170,000	3.60	430,000	3.35	280,000	3.60	460,000	-	-	4.00	450,000
2014	-	-	-	-	3.70	175,000	3.70	450,000	3.50	300,000	3.65	480,000	-	-	4.25	465,000
2015	-	-	-	-	3.85	185,000	3.80	475,000	3.60	300,000	3.70	500,000	-	-	4.25	490,000
2016	-	-	-	-	4.00	195,000	4.00	495,000	3.75	300,000	3.75	520,000	-	-	4.25	510,000
2017	-	-	-	-	4.00	200,000	4.00	520,000	-	-	3.80	545,000	-	-	4.25	535,000
2018	-	-	-	-	4.15	210,000	4.10	550,000	-	-	3.85	570,000	-	-	4.25	555,000
2019	-	-	-	-	4.25	220,000	4.20	575,000	-	-	3.90	595,000	-	-	4.25	585,000
2020	-	-	-	-	4.35	235,000	-	-	-	-	3.95	620,000	-	-	4.375	610,000
2021	-	-	-	-	4.45	245,000	-	-	-	-	-	-	-	-	4.375	640,000
2022	-	-	-	-	4.55	260,000	-	-	-	-	-	-	-	-	-	-
2023	-	-	-	-	4.625	275,000	-	-	-	-	-	-	-	-	-	-
Total		<u>\$ 625,000</u>		<u>\$1,105,000</u>		<u>\$2,835,000</u>		<u>\$4,680,000</u>		<u>\$1,990,000</u>		<u>\$5,570,000</u>		<u>\$ 920,000</u>		<u>\$6,080,000</u>

See accompanying independent auditor’s report.

CITY OF ALTOONA

BOND MATURITIES - CONTINUED

June 30, 2009

Year Ending June 30,	General Obligation Bonds								Total
	Urban Renewal Corporate Purpose Series 2008A Issued May 1, 2007		Urban Renewal Corporate Purpose Series 2007B Issued October 1, 2007		Urban Renewal Corporate Purpose Series 2009A Issued June 9, 2009		Urban Renewal Refunding Series 2009B Issued June 9, 2009		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2010	3.60%	\$ 295,000	3.50%	\$ 115,000	- %	\$ -	- %	\$ -	\$ 3,305,000
2011	3.60	310,000	3.55	120,000	2.25	100,000	1.25	860,000	4,150,000
2012	3.60	325,000	3.55	130,000	2.75	100,000	1.30	885,000	3,415,000
2013	3.60	335,000	3.60	135,000	3.15	100,000	-	-	2,360,000
2014	3.625	350,000	3.65	140,000	3.80	240,000	-	-	2,600,000
2015	3.70	365,000	3.70	145,000	4.20	245,000	-	-	2,705,000
2016	3.75	380,000	3.70	155,000	4.60	255,000	-	-	2,810,000
2017	3.80	400,000	3.75	160,000	5.00	560,000	-	-	2,920,000
2018	3.80	415,000	3.80	170,000	5.00	780,000	-	-	3,250,000
2019	3.85	435,000	3.85	175,000	5.35	100,000	-	-	2,685,000
2020	3.90	455,000	3.90	185,000	5.60	100,000	-	-	2,205,000
2021	3.90	475,000	3.95	195,000	5.80	100,000	-	-	1,655,000
2022	3.95	500,000	4.00	205,000	5.90	325,000	-	-	1,290,000
2023	-	-	4.00	215,000	6.00	340,000	-	-	830,000
2024	-	-	-	-	6.10	355,000	-	-	355,000
2025	-	-	-	-	6.20	370,000	-	-	370,000
2026	-	-	-	-	6.30	390,000	-	-	390,000
2027	-	-	-	-	6.40	405,000	-	-	405,000
2028	-	-	-	-	6.50	430,000	-	-	430,000
Total		<u>\$ 5,040,000</u>		<u>\$2,245,000</u>		<u>\$ 5,295,000</u>		<u>\$ 1,745,000</u>	<u>\$38,130,000</u>

See accompanying independent auditor’s report.

CITY OF ALTOONA

BOND MATURITIES - CONTINUED

June 30, 2009

	Revenue Bonds												
	Sewer		Water Refunding		Water		Water Refunding		Water		Urban Renewal		
	Issued February 1, 2002		Issued March 3, 2004		Series 2004B		Issued April 28, 2008		Series 2009C		TIF Series 2008		
Year	Interest		Interest		Interest		Interest		Interest		Interest		
Ending	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount	Total
June 30,													
2010	4.00%	\$ 205,000	3.00%	\$ 125,000	4.00%	\$ 145,000	3.00%	\$ 135,000	2.25%	\$ 100,000	- %	\$ -	\$ 710,000
2011	4.10	215,000	3.15	115,000	4.00	165,000	3.00	140,000	2.45	100,000	-	-	735,000
2012	4.20	225,000	-	-	4.00	220,000	3.20	185,000	3.00	100,000	4.375	500,000	1,230,000
2013	-	-	-	-	4.00	230,000	3.20	220,000	3.30	100,000	5.00	500,000	1,050,000
2014	-	-	-	-	4.00	240,000	3.40	230,000	4.00	100,000	5.00	1,000,000	1,570,000
2015	-	-	-	-	4.00	255,000	3.60	240,000	4.30	105,000	5.00	1,000,000	1,600,000
2016	-	-	-	-	4.10	265,000	3.70	200,000	5.00	100,000	5.00	1,000,000	1,565,000
2017	-	-	-	-	4.20	280,000	3.80	175,000	5.20	120,000	5.00	1,000,000	1,575,000
2018	-	-	-	-	4.30	295,000	-	-	5.375	200,000	5.00	400,000	895,000
2019	-	-	-	-	4.40	310,000	-	-	5.50	205,000	-	-	515,000
2020	-	-	-	-	4.50	330,000	-	-	5.50	210,000	-	-	540,000
2021	-	-	-	-	4.50	345,000	-	-	5.70	215,000	-	-	560,000
2022	-	-	-	-	4.60	365,000	-	-	5.80	220,000	-	-	585,000
2023	-	-	-	-	4.70	385,000	-	-	5.90	230,000	5.625	2,000,000	2,615,000
2024	-	-	-	-	-	-	-	-	6.00	240,000	-	-	240,000
2025	-	-	-	-	-	-	-	-	6.00	255,000	5.75	2,000,000	2,255,000
2026	-	-	-	-	-	-	-	-	6.10	265,000	-	-	265,000
2027	-	-	-	-	-	-	-	-	6.20	280,000	-	-	280,000
2028	-	-	-	-	-	-	-	-	6.30	295,000	6.00	4,790,000	5,085,000
2029	-	-	-	-	-	-	-	-	6.375	310,000	-	-	310,000
2030	-	-	-	-	-	-	-	-	-	-	-	-	-
2031	-	-	-	-	-	-	-	-	-	-	5.75	5,680,000	5,680,000
2032	-	-	-	-	-	-	-	-	-	-	-	-	-
2033	-	-	-	-	-	-	-	-	-	-	-	-	-
2034	-	-	-	-	-	-	-	-	-	-	6.00	6,860,000	6,860,000
2035	-	-	-	-	-	-	-	-	-	-	-	-	-
2036	-	-	-	-	-	-	-	-	-	-	-	-	-
2037	-	-	-	-	-	-	-	-	-	-	-	-	-
2038	-	-	-	-	-	-	-	-	-	-	-	-	-
2039	-	-	-	-	-	-	-	-	-	-	6.00	14,590,000	14,590,000
2040	-	-	-	-	-	-	-	-	-	-	-	-	-
2041	-	-	-	-	-	-	-	-	-	-	-	-	-
2042	-	-	-	-	-	-	-	-	-	-	-	-	-
2043	-	-	-	-	-	-	-	-	-	-	6.00	15,150,000	15,150,000
Total		\$ 645,000		\$ 240,000		\$ 3,830,000		\$ 1,525,000		\$ 3,750,000		\$ 56,470,000	\$ 66,460,000

See accompanying independent auditor’s report.

CITY OF ALTOONA

SCHEDULE OF RECEIPTS/PROCEEDS BY SOURCE AND
DISBURSEMENTS BY FUNCTION -
ALL GOVERNMENTAL AND PROPRIETARY FUNDS

	Years ended June 30,						
	2009	2008	2007	2006	2005	2004	2003
Receipts:							
Property tax	\$ 3,778,173	\$ 3,601,632	\$ 3,325,891	\$ 3,120,958	\$ 2,997,641	\$ 2,865,547	\$ 2,678,720
Other city tax							
Hotel/motel	563,372	599,010	490,300	503,295	526,819	484,003	447,529
Total property and other city tax	4,341,545	4,200,642	3,816,191	3,624,253	3,524,460	3,349,550	3,126,249
Lottery	914,162	958,685	939,293	874,863	883,267	-	-
Tax increment financing collections	8,001,868	6,254,969	5,997,960	4,668,981	3,822,352	3,438,325	2,733,657
Licenses and permits	246,052	318,778	452,064	628,498	618,660	601,370	455,624
Use of money and property	730,201	575,786	281,569	315,202	147,827	65,037	83,432
Intergovernmental:							
Road use tax	1,103,581	1,139,532	1,108,570	988,327	860,477	861,943	842,356
Library	96,104	83,362	133,823	126,913	129,285	134,060	119,155
State allocation	34,696	69,005	36,713	30,178	17,555	15,198	12,769
Grants	1,352,882	-	39,873	31,540	602	537,972	195,680
Bank franchise tax	-	-	-	-	2,262	15,198	-
Drug enforcement	347,311	106,988	50,841	81,328	41,415	164,451	35,057
Miscellaneous	31,608	35,655	444	5,960	10,393	20,803	199,141
Total intergovernmental	2,966,182	1,434,542	1,370,264	1,264,246	1,061,989	1,749,625	1,404,158
Charges for service	7,126,954	6,859,821	6,830,501	6,145,117	5,647,020	5,351,291	4,371,909
Special assessments	3,043	3,230	7,468	5,965	6,321	-	-
Bond proceeds	67,260,000	4,015,000	5,600,000	15,610,000	9,975,000	4,895,000	-
Miscellaneous	481,284	293,559	101,727	231,101	548,622	858,320	891,249
Total	92,071,291	24,915,012	25,397,037	33,368,226	26,235,518	20,308,518	13,066,278
Disbursements:							
Operating:							
Public safety	\$ 4,263,900	\$ 4,193,948	\$ 3,679,699	\$ 3,218,701	\$ 2,723,329	\$ 2,467,932	\$ 2,287,810
Public works	1,336,974	1,194,285	1,308,267	1,140,280	950,001	1,072,167	1,681,339
Health and social services	9,325	-	-	-	-	-	-
Culture and recreation	1,989,840	2,594,010	1,721,752	1,766,112	1,589,834	2,389,236	1,278,648
Community and economic development	3,649,078	6,841,063	1,972,798	1,833,179	1,686,510	1,208,469	776,225
General government	737,102	731,258	671,264	716,705	249,959	344,160	390,571
Debt service	7,530,701	4,156,070	3,290,010	4,810,661	2,385,084	2,552,061	1,937,512
Capital projects	44,474,141	6,450,292	9,460,450	4,406,379	6,418,797	531,572	3,193,364
Business-type activities	5,120,349	7,279,771	5,880,121	7,002,715	5,289,755	7,507,277	3,222,362
Total	\$69,111,410	\$33,440,697	\$27,984,361	\$24,894,732	\$21,293,269	\$18,072,874	\$14,767,831

See accompanying independent auditor's report.



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**Independent Auditor's Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards**

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Altoona, Iowa as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated October 28, 2009. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Altoona's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of Altoona's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Altoona's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Altoona's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the City of Altoona's financial statements that is more than inconsequential will not be prevented or detected by the City of Altoona's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City of Altoona's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items II-A-9, II-B-09, II-C-09 and II-D-09 are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Altoona's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, we noted an instance of non-compliance that is described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Altoona's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Altoona's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Altoona and other parties to whom the City of Altoona may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Altoona during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Martens & Company, CPA, LLP

West Des Moines, Iowa
October 28, 2009

CITY OF ALTOONA

SCHEDULE OF FINDINGS

Year ended June 30, 2009

Part I: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepting accounting principles.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

CITY OF ALTOONA

SCHEDULE OF FINDINGS

Year ended June 30, 2009

Part II: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

- II-A-09 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the following functions are not entirely segregated: cash receipts, general ledger posting, reconciliations and investment control and custody.

Recommendation - We realize that segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will consider this.

Conclusion - Response acknowledged. The City could segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

- II-B-09 Computer System Control - The design and controls established over the computer system process is very important in providing assurance and financial integrity of the City's financial records. We noted some weaknesses in the policies and controls.

Recommendation - Controls should be established to prevent water damage to computer equipment. There should be a written procedures plan.

Response - We will consider this.

Conclusion - Response acknowledged. Once established, the recommended policies and procedures will add a measure of assurance to the City's financial records.

- II-C-09 Preparation of Financial Statements - The City does not have an internal control system designed to provide for the preparation of the financial statements being audited. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements.

CITY OF ALTOONA

SCHEDULE OF FINDINGS

Year ended June 30, 2009

Part II: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

II-C-09 Preparation of Financial Statements - Continued

Recommendation - We realize that obtaining the expertise necessary to prepare the financial statements, including all necessary disclosures, can be considered costly and ineffective. However, the City's management and those charged with governance should decide whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response - We are aware of the situation and will continually review the risks associated with this condition because of cost or other considerations.

Conclusion - Response accepted.

II-D-09 Bond Proceeds - The proceeds of the bond issue were recorded at net of costs. GASB 34, paragraph 87 requires debt costs to be reported as an expenditure.

Recommendation - The City should adopt procedures to record debt costs as expenditures.

Response - The City will record debt costs as an expenditure on any future bond issues.

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

CITY OF ALTOONA

SCHEDULE OF FINDINGS

Year ended June 30, 2009

Part III: Other Findings Related to Statutory Reporting:

- III-A-09 Certified Budget - Disbursements during the year ended June 30, 2009, did not exceed the amounts budgeted.
- III-B-09 Questionable Disbursements - We noted no expenditures for parties, banquets, or other entertainment for employees that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.
- III-C-09 Travel Expenses - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- III-D-09 Business Transactions - There were no business transactions noted between the City and City officials or employees.
- III-E-09 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- III-F-09 Council Minutes - No transactions were found that we believe should have been approved in the Council Minutes but were not.
- III-G-09 Revenue Bonds - The City did not establish the Reserve Fund as required by the Series 2008 Revenue Bond. The money had been left in the checking account. Also, the Series 2009C Revenue Bond issued June 17, 2009 required an increase in the Water Revenue Debt Service Fund to \$936,588. This increase was not made before June 30, 2009.

Recommendation - The City should transfer the required funds into a new fund as required by the bond. Also, the Water Revenue Debt Service Reserve Fund should be increased.

Response - We will create a new fund, make the transfer and increase the Water Revenue Debt Service Reserve Fund.

Conclusion - Response accepted.

- III-H-09 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.